No festive cheer as rate hikes again, but property outlook remains stable

By Samuel Seeff

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While the South African Reserve Bank (Sarb) has not brought any festive cheer to consumers and the property market with its latest interest rate hike, the outlook for the property market remains stable.

Samuel Seeff, chairman of the Seeff Property Group

The decision to hike the repo rate by another 75bps to 7% (base home loan rate to 10.50% for the seventh successive time) now takes the rate to above the pre-pandemic level. While disappointed that the Sarb did not take the opportunity to pause, it is not a surprise and has been largely factored in by the market.

That said, a pause could have provided a vital reprieve for consumers and homeowners, leaving more disposable money in the economy as we head into the busy festive season for the retail and tourism sectors.

Nonetheless, the SA market has remained healthy and generally outperformed world markets over the last few months. Despite following world patterns, we have not experienced the dramatic highs and lows and consequent shocks. Our interest rate is still below the 20-year average, whereas the US rates have tripled, resulting in drastic hikes in house payments.

While transaction volumes have come down as the market corrected due to the interest rate hikes, we may still end the year slightly ahead of the 2019 pre-pandemic levels. Prices should hold fairly steady, and we are unlikely to see the dramatic price adjustments taking place in other markets.

Home sales soar in Joburg's northern suburbs as semigrating buyers add to local demand

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Biggest impact on lower price bands

The biggest impact of the hikes have been on the lower price bands and first-time buyers. The upper price bands are generally less sensitive to rate hikes and more to the general economic conditions. The outlook for 2023 looks stable with the Western Cape likely to be the top performer, boosted by semigration and the return of international buyers. Inland areas may see more pressure on sales volumes and prices.

There are still ample reasons to invest in your own home. While buyers will need to factor in higher repayments and we may see higher deposit requirements on home loans, the mortgage lending landscape remains favourable for the market.

Given that the buying market is a little thinner, buyers will be looking for more negotiability and realistic pricing will be a prerequisite for sellers to conclude a sale. As there are no foreseeable prospects of higher prices going into next year, serious sellers should not waste the opportunity of a serious offer.

Due to the interest rate hike, home loan repayments over twenty years at the prime/base rate will increase by:

Based on 75bps hike:

- R750,000 bond – extra R374 (repayment increase from R7,114 to R7,488)
- R900,000 bond – extra R448 (repayment increase from R8,537 to R8,985)
- R1,000,000 bond – extra R499 (repayment increase from R9,485 to R9,984)
- R1,500,000 bond – extra R748 (repayment increase from R14,228 to R14,976)
- R2,000,000 bond – extra R998 (repayment increase from R18,970 to R19,968)
- R2,500,000 bond – extra R1,247 (repayment increase from R23,713 to R24,960)

ABOUT SAMUEL SEEFF

Samuel Seeff is chairman of the Seeff Group.